

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 432 - HB 1571

March 19, 2009

SUMMARY OF BILL: Authorizes officers of corporations to execute an affidavit to exempt the corporation from paying unemployment insurance on their own wages, salary, benefits or other compensation.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue - \$20,684,200/
Unemployment Insurance Trust Fund
Increase State Expenditures – Not Significant**

Assumptions:

- An average of three officers per corporation.
- 61,560 corporations in Tennessee.
- $61,560 \times 3 = 184,680$ exempted workers.
- The taxable wage base is \$7,000. Therefore, the total amount of taxable wages applicable to the provisions of the bill is \$1,292,760,000 ($184,680 \times \$7,000 = \$1,292,760,000$).
- The average unemployment tax rate in Tennessee is two percent. Therefore, the total amount of revenue potentially impacted is \$25,855,200 ($\$1,292,760,000 \times 2\% = \$25,855,200$).
- If 20% of the corporations doing business in Tennessee have headquarters in other states, only 80% of the potentially impacted revenue is subject to loss by the state. As a result, the recurring loss in premiums to the Unemployment Trust Fund is estimated to be \$20,684,200 ($\$25,855,000 \times 80\% = \$20,684,160$).
- Any increase in state expenditures to handle the administrative responsibilities related to the exemption is estimated to be not significant.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive, flowing style with a large initial "J" and "W".

James W. White, Executive Director

/cce